CHAPTER 319

HOUSE BILL 2868

AN ACT

AMENDING SECTION 41-792.01, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 4, ARTICLE 7, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-794; REPEALING SECTION 41-1382, ARIZONA REVISED STATUTES; RELATING TO THE MANAGEMENT OF STATE BUILDINGS.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 41-792.01, Arizona Revised Statutes, is amended to read:

41-792.01. Capital outlay stabilization fund; authorization for collection of rental; basis of payment; report; distribution of monies collected; transfer of payment; lease-purchase building operating and maintenance fund; definition

A. The capital outlay stabilization fund is established which shall consist of monies paid into it in accordance with subsections D and F of this section and legislative appropriations to the account. All monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

B. The director shall make a recommendation for the allocation of a varying sum to the capital outlay stabilization fund each year. No part of the fund may be expended without specific appropriation from the legislature.

C. Each state department and each state agency when using space under the jurisdiction of the department as prescribed in section 41-791 or when using space in a building leased to the state shall pay rental and tenant improvement labor costs as prescribed in subsection D, E or F of this section.

D. The rental rates authorized for agencies occupying state-owned buildings shall be determined by the joint committee on capital review after recommendation by the director before July 1 of each even-numbered year. The rental is payable whether the state department or state agency is funded in whole or in part by state monies. The department of administration shall transfer the entire amount of the rental fee assessed on a state agency from the agency account into the capital outlay stabilization fund promptly at the start of each fiscal year. During the remainder of the fiscal year, the department of administration shall calculate pro rata adjustments to the rental fee on a monthly basis to reflect any changes in the occupancy of state-owned buildings. The department of administration shall transfer the amount of the rental fee adjustment assessed on a state agency from the agency account into the capital outlay stabilization fund. The rental fee authorized for state agencies occupying state-owned buildings is the greater of the amount included in each agency's annual operating budget as reported by the staff of the joint legislative budget committee or the pro rata adjusted amount based on actual occupancy. The director of the department of administration may authorize an exemption for periods of one year or more at a time for a state agency from the full payment account transfer requirements of this subsection if the agency can demonstrate a practice of making full payment of rent on a different basis necessitated by its cash flow. If a state agency does not have the financial resources for...
state-owned space, or does not occupy or vacates state-owned space after
the beginning of the fiscal year, the director of the department of
administration, on recommendation of the joint committee on capital
review, may authorize a whole or partial exemption from payment of the
rental fee. BEFORE AUTHORIZING A RENTAL FEE EXEMPTION, THE DEPARTMENT OF
ADMINISTRATION SHALL REPORT THE PROPOSED RENTAL FEE EXEMPTION TO THE STAFF
OF THE JOINT LEGISLATIVE BUDGET COMMITTEE.

E. The rental authorized for state agencies occupying state-leased
STATE-LEASED buildings shall be the greater of the amount included in each
agency's annual operating budget as reported by the staff of the joint
legislative budget committee or the pro rata adjusted amount based on
actual occupancy. The rental amount shall include the amount necessary to
pay the lease or lease-purchase obligation and may include the amount
necessary to pay operating costs associated with the lease-purchase
buildings. The rental is payable whether the state department or state
agency is funded in whole or in part by state monies. At the start of
each fiscal year, the department of administration shall transfer the
entire amount of the rental fee assessed on a state agency from the agency
account into the department of administration's funds established for the
purposes of this subsection. The department shall transfer from the
applicable state agency budgets to the lease-purchase building operating
and maintenance fund established in subsection I of this section amounts
necessary to pay all operating costs associated with a lease-purchase
building in the amounts reported by the staff of the joint legislative
budget committee. During the remainder of the fiscal year, the department
of administration shall calculate pro rata adjustments to the rental fee
on a monthly basis to reflect any changes in the occupancy of state-leased
STATE-LEASED buildings. The director of the department of administration
may authorize an exemption for a state agency from the full payment
account transfer requirements of this subsection for one year ONE-YEAR
periods or longer periods if the agency can demonstrate a practice of
making full payment of rent on a different basis necessitated by its cash
flow. If a state agency does not have the financial resources for state-leased
STATE-LEASED space, or does not occupy or vacates state-leased
STATE-LEASED space after the beginning of the fiscal year, the director of
the department of administration, on recommendation of the joint committee
on capital review, may authorize a whole or partial exemption from payment
of the rental fee. BEFORE AUTHORIZING A RENTAL FEE EXEMPTION, THE
DEPARTMENT OF ADMINISTRATION SHALL REPORT THE PROPOSED RENTAL FEE
EXEMPTION TO THE STAFF OF THE JOINT LEGISLATIVE BUDGET COMMITTEE.

F. The department OF ADMINISTRATION shall charge state agencies for
the full costs of labor services it provides to accomplish tenant
improvement projects within a building owned by or leased to the state.
Charges for this labor shall be deposited in the capital outlay
stabilization fund.
G. State universities, community colleges and the department of transportation are exempt from the provisions of this section, except when these state agencies are using space under the jurisdiction of the department of administration.

H. The department of ADMINISTRATION shall not begin to charge rental or tenant improvement labor costs as prescribed in subsection D, E or F of this section until July 1, 2012 for any buildings operated by the secretary of state primarily for the purpose of storing, managing or preserving a large amount of public records or archival material.

I. The lease-purchase building operating and maintenance fund is established consisting of monies transferred into it in accordance with subsection E of this section. All monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations. Monies in the fund are subject to legislative appropriation.

J. For the purposes of this section, buildings leased by this state through the sale and lease-back deficit financing mechanism are considered state-owned buildings. STATE-LEASED BUILDINGS THAT ARE SUBJECT TO SUBSECTION E OF THIS SECTION AND THAT MEET THE REQUIREMENTS OF SECTION 41-791, SUBSECTION B ARE SUBJECT TO SUBSECTION D OF THIS SECTION IN THE FISCAL YEAR FOLLOWING THE RETIREMENT OF THE LEASE OR LEASE-PURCHASE DEBT SERVICE FINANCING. ON OR BEFORE SEPTEMBER 1 OF EACH YEAR, THE DEPARTMENT OF ADMINISTRATION SHALL REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING ON THE COST ASSOCIATED WITH CHARGING RENTAL RATES TO STATE AGENCIES WITH RETIRED LEASES OR LEASE PURCHASES FOR THE NEXT FISCAL YEAR.

K. For the purposes of this section, "state department" or "state agency" means any department or agency of the executive or judicial branch of state government.

Sec. 2. Title 41, chapter 4, article 7, Arizona Revised Statutes, is amended by adding section 41-794, to read:

41-794. State agencies; capital projects; reports; exception

WITHIN THIRTY DAYS AFTER THE LAST DAY OF EACH CALENDAR QUARTER, EACH STATE AGENCY SHALL SUBMIT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE STAFF AND THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING A REPORT ON THE STATUS OF ALL CAPITAL PROJECTS AND CAPITAL EXPENDITURES FOR WHICH MONIES WERE APPROPRIATED TO THE STATE AGENCY, EXCEPT THAT THE DEPARTMENT OF TRANSPORTATION IS NOT REQUIRED TO SUBMIT REPORTS PURSUANT TO THIS SECTION FOR HIGHWAY CONSTRUCTION PROJECTS.

Sec. 3. Repeal

Section 41-1382, Arizona Revised Statutes, is repealed.

Sec. 4. Rental rates; state-owned buildings; fiscal year

2022-2023; exemptions

Notwithstanding section 41-792.01, subsection D, Arizona Revised Statutes, as amended by this act, the capital outlay stabilization fund rental rates for state-owned buildings in fiscal year 2022-2023 are $17.87
per square foot for office space and $6.43 per square foot for storage space.

Sec. 5. Sale of state buildings; deposit; capitol mall consolidation fund

Notwithstanding any other law, the proceeds from the sale of state buildings located at 519 Beale Street in Kingman and 1919 West Jefferson Street in Phoenix shall be deposited in the capitol mall consolidation fund established by section 41-792.02, Arizona Revised Statutes.

APPROVED BY THE GOVERNOR JUNE 28, 2022.